



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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WENDY L. WATANABE
AUDITOR-CONTROLLER

March 4, 2014

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

A handwritten signature in blue ink, appearing to read "Wendy L. Watanabe", is written over the printed name and title.

SUBJECT: **ANTELOPE VALLEY COMMITTEE ON AGING – A COMMUNITY AND
SENIOR SERVICES' AREA AGENCY ON AGING PROGRAM
CONTRACT SERVICE PROVIDER – CONTRACT COMPLIANCE
REVIEW – FISCAL YEARS 2012-13 AND 2013-14**

We completed a review of Antelope Valley Committee on Aging (AVCOA) or Agency), a Community and Senior Services' (CSS) Area Agency on Aging (AAA) Elderly Nutrition Program (ENP), Family Caregiver Support Program (FCSP), and Supportive Services Program (SSP) provider. Our review covered a sample of transactions from Fiscal Years (FY) 2012-13 and 2013-14. The purpose of our review was to determine whether AVCOA is financially viable to provide services in compliance with their County contracts and the Programs' requirements.

CSS contracted with AVCOA, a non-profit corporation, to provide the ENP, SSP, and FCSP services to eligible participants. The ENP provides Congregate Meals and Home-Delivered Meals to individuals 60 years of age or older, who are homebound by reasons of illness, disability, or who are otherwise isolated. The SSP provides case management, homemaker, personal care, and in-home respite services. The FCSP provides counseling, training and respite care, and supplemental services to the family caregivers. These services are intended to address functional limitations, maintain or improve the physical and social well-being of older adults, and ensure access to the senior service system.

At the time of our review, AVCOA had three fee-for-service contracts with CSS. CSS paid AVCOA approximately \$788,367 in FY 2012-13 and \$162,979 from July 2013

through October 2013. On November 1, 2013, CSS placed AVCOA on suspension. CSS indicated that they will make a decision on their contract with AVCOA after the issuance of our report.

Results of Review

The results of our review determined that AVCOA has difficulty paying their bills on time and does not maintain accurate accounting records. As a result, we have concerns about AVCOA's financial viability. Specifically, we noted the following:

- Approximately \$37,227 (32%) of the \$117,064 in accounts payable reported in AVCOA's accounting records related to bills that were over 60 days past due. According to Section 8.45 of the County contract, "a contractor shall be deemed to be insolvent if it has ceased to pay its debts for at least 60 days in the ordinary course of business, or cannot pay its debts as they become due."
- AVCOA's audited financial statements as of June 30, 2012, reported a loss of approximately \$87,600 for the ENP and a loss of approximately \$41,800 for the SSP.
- AVCOA allowed their Workers Compensation Insurance to lapse for approximately one month. Paragraph 8.25 of the ENP and FCSP County contracts and Paragraph 4.0 of the SSP County contract require AVCOA to maintain Workers Compensation Insurance.
- AVCOA's management acknowledged that the Agency has cash flow issues that impact their ability to pay bills on time.
- AVCOA's accounting records did not accurately report the Agency's liabilities. We noted that AVCOA under-reported their accounts payable by approximately \$19,600.

In addition, we noted other issues that raise concerns on whether the Agency can provide the services in accordance with their County contracts. Specifically, we noted:

- AVCOA did not obtain background clearances for their employees or volunteers as required by Section 7.4 of the ENP and FCSP County contracts and Section 2.3 of the SSP County contract for all 11 employees reviewed.
- AVCOA did not maintain adequate segregation of duties over their payroll and personnel processing. Specifically, AVCOA's Operations Manager records all transactions and has unrestricted access to the Agency's accounting records, payroll systems, and personnel files.

- AVCOA did not have a Controller or a Chief Financial Officer on staff, or fiscally knowledgeable Board member(s) regularly reviewing and approving the Agency's accounting and other financial and administrative transactions.

Based on AVCOA's significant cash flow and other financial and administrative issues, CSS should place the Agency on the County's Contractor Alert Reporting Database and require AVCOA management to submit a formal plan to improve their financial condition, and consider terminating their contracts with AVCOA.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with AVCOA and CSS. AVCOA's attached response indicates that they concur with our findings and recommendations. If AVCOA cannot appropriately address their financial condition, CSS should consider terminating their contracts with AVCOA.

We thank AVCOA management and staff for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB:yp

Attachments

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Steve Angebrandt, President, Board of Directors, AVCOA
Public Information Office
Audit Committee

**ANTELOPE VALLEY COMMITTEE ON AGING
AREA AGENCY ON AGING PROGRAMS
CONTRACT COMPLIANCE REVIEW
FISCAL YEARS 2012-13 AND 2013-14**

FINANCIAL VIABILITY

Objective

Determine whether Antelope Valley Committee on Aging (AVCOA or Agency) maintained sufficient working capital to provide Area Agency on Aging (AAA) Program services.

Verification

We interviewed Agency management, and reviewed the Agency's financial records, the Single Audit for the period ending June 30, 2012, and their audited financial statements, for the periods ending June 30, 2011 and June 30, 2012.

Results

We noted that AVCOA has difficulty paying their bills on time and does not maintain accurate accounting records. As a result, we have concerns about AVCOA's financial viability. Specifically, we noted the following:

- Approximately \$37,227 (32%) of the \$117,064 in accounts payable reported in AVCOA's accounting records related to bills that were over 60 days past due. According to Section 8.45 of the County contract, "a contractor shall be deemed to be insolvent if it has ceased to pay its debts for at least 60 days in the ordinary course of business, or cannot pay its debts as they become due."
- AVCOA's audited financial statements as of June 30, 2012, reported a loss of approximately \$87,600 for the Elderly Nutrition Program (ENP) and a loss of approximately \$41,800 for the Supportive Services Program (SSP) as noted in the following chart:

County's AAA Programs	Total Funding*	Total Costs	2012
Elderly Nutrition Program	\$ 880,736	\$ 968,378	\$ (87,642)
Support Services Program	\$ 58,551	\$ 100,351	\$ (41,800)

*Includes County contracted amounts, matching contributions, Grant related income and Cash match.

- AVCOA allowed their Workers Compensation Insurance to lapse for a month. Paragraph 8.25 of the ENP and Family Caregiver Support Program (FCSP) County contracts and Paragraph 4.0 of the SSP County contract require AVCOA to maintain Workers Compensation Insurance.

- AVCOA's management acknowledged that the Agency has cash flow issues that impact their ability to pay bills on time.
- AVCOA's accounting records under-reported the Agency's accounts payable by approximately \$19,600.

Based on AVCOA's cash flow, inaccurate accounting records, and other financial issues, Community and Senior Services' (CSS) should place the Agency on the County's Contractor Alert Reporting Database and require AVCOA management to submit a formal plan to improve their financial condition, and consider terminating their contracts with AVCOA.

Recommendations

1. **Community and Senior Services management place the Antelope Valley Committee on Aging on the County's Contractor Alert Reporting Database, require Antelope Valley Committee on Aging management to submit a formal plan to improve their financial condition, including how the Agency will maintain sufficient working capital to pay its debts as they become due, and consider terminating the County contract with Antelope Valley Committee on Aging.**
2. **Antelope Valley Committee on Aging management ensure that debts are paid when they become due and maintain up-to-date accounts payable records.**

BILLED SERVICES

Objective

Determine whether AVCOA provided the services billed in accordance with their CSS AAA contracts.

Verification

We reviewed the Agency's August 2013 billings for the ENP, SSP, and FCSP services and traced the total number of meals served and hours of services billed to supporting documentation. In addition, we interviewed 11 participants who received home-delivered meals and reviewed the case files of ten participants who received case management services.

Results

The 11 participants interviewed indicated that they received their home-delivered meals as expected and the ten case files contained documentation to support the case management services billed.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether the Agency deposited cash receipts timely, and recorded revenue in their financial records properly.

Verification

We interviewed Agency personnel and reviewed their financial records. We also reviewed the Agency's bank activities for July through September 2013.

Results

AVCOA deposited cash receipts timely and recorded revenue in their financial records properly. However, the Agency's September 2013 bank reconciliations for their two bank accounts did not include the required preparer and reviewer signatures and dates as required by Section B.1.4 of the Auditor-Controller Contract Accounting and Administration Handbook.

Recommendation

3. **Antelope Valley Committee on Aging management ensure bank reconciliations are signed and dated by both the preparer and reviewer and reviewed timely.**

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency had adequate internal controls over its business operations. In addition, determine whether the Agency was in compliance with AAA Programs and administrative County contract requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and reviewed the Agency's Single Audit for the period ending June 30, 2012, and their audited financial statements for the periods ending June 30, 2011 and June 30, 2012.

Results

AVCOA allowed their Workers Compensation Insurance to lapse for approximately one month. Specifically, AVCOA did not pay the full amount of insurance premium due in September 2013. The insurance company providing AVCOA with workers' compensation insurance mailed the Agency a Notice of Cancellation on September 24, 2013. The Agency's insurance broker also notified AVCOA's Executive Director and Operations Manager on September 27, 2013, of the Notice of Cancellation. However, AVCOA did not pay the overdue premium payments by October 10th as required.

The Agency is required to maintain Workers Compensation Insurance in accordance with Paragraph 8.25 of the ENP and FCSP County contracts, and Paragraph 4.0 of the SSP County contract.

AVCOA also did not maintain adequate segregation of duties over their payroll and personnel processing. Generally, the organizational structure of an entity should separate responsibilities for authorization of transactions, recordkeeping for transactions, and custody of assets. In addition, execution of the transactions should be segregated from these other responsibilities. However, AVCOA's Operations Manager records all transactions and has unrestricted access to the Agency's accounting records, payroll systems, and personnel files. In addition, AVCOA does not have a Controller or a Chief Financial Officer on staff, or fiscally knowledgeable Board member(s) regularly reviewing and approving the Agency's accounting and other financial and administrative transactions.

Recommendations**Antelope Valley Committee on Aging management:**

- 4. Ensure that all the required insurance coverage are maintained.**
- 5. Ensure that fiscally knowledgeable staff and Board members are regularly reviewing and approving the Agency's accounting and other financial and administrative transactions.**
- 6. Establish and maintain adequate internal controls over the Agency's financial reporting and other business operations.**

EXPENDITURES/COST ALLOCATION PLAN**Objective**

Determine whether expenditures charged to the AAA Programs were allowable under their County contracts, properly documented, appropriately allocated, and accurately billed. In addition, determine whether AVCOA prepared its Cost Allocation Plan (Plan)

in compliance with their County contracts, and used the Plan to allocate shared expenditures appropriately.

Verification

We reviewed the Agency's Plan, interviewed Agency personnel, and reviewed the Agency's financial records and documentation for seven non-payroll expenditure transactions charged to the AAA Programs in July 2013 and October 2013, totaling \$27,767.

Results

AVCOA prepared its Plan in compliance with their County contracts and appropriately allocated shared expenditures. However, AVCOA did not maintain adequate documentation, such as cancelled checks, to support \$3,465 (12%) of the \$27,767 non-payroll expenditures sampled. According to Exhibit K of the County contract, unsupported disbursements will be disallowed on audit. As such, CSS management should work with AVCOA management to determine the amount owed for unsupported disbursements related to the AAA Programs and require AVCOA to repay CSS.

Recommendations

Refer to Recommendations 1 and 2.

- 7. Community and Senior Services management work with Agency management to determine the amount owed for unsupported disbursements related to the Area Agency on Aging Programs and require Antelope Valley Committee on Aging to repay Community and Senior Services.**
- 8. Antelope Valley Committee on Aging management maintain adequate documentation to support the expenditures.**

PAYROLL AND PERSONNEL

Objective

Determine whether payroll costs were appropriately charged to the AAA Programs and personnel files were maintained as required. In addition, determine whether the Agency obtained background clearances for all employees and volunteers who come in contact with clients of the AAA Programs.

Verification

We traced the payroll expenditures for 11 employees, totaling \$10,909, from August 2013, to the Agency's payroll records and time reports. We also reviewed the 11 employees' personnel files.

Results

AVCOA appropriately charged payroll expenditures to the AAA Programs. However, AVCOA did not obtain background clearances for their employees or volunteers as required by Section 7.4 of the ENP and FCSP County contracts and Section 2.3 of the SSP County contract for all 11 employees reviewed. In addition, according to Agency management, background clearances are not obtained for the volunteers serving in the AAA Programs.

Recommendation

9. **Antelope Valley Committee on Aging management obtain background clearances for all employees and volunteers who come in contact with the Area Agency on Aging Program clients as required.**

CLOSE-OUT REPORTS**Objective**

Determine whether AVCOA's Fiscal Year (FY) 2012-13 Close-out Reports for the ENP and SSP reconciled to the Agency's financial records. FCSP did not have a close-out report for FY 2012-13 because this Program did not start until July 2013.

Verification

We compared the Agency's Close-out Reports for FY 2012-13 to the Agency's financial records. We also reviewed a sample of expenditures incurred in January through June 2013, totaling \$76,457.

Results

The Close-out Reports reconciled to the Agency's accounting records. However, AVCOA did not maintain adequate documentation, such as cancelled checks, to support \$10,428 (14%) of the \$76,457 expenditure transactions sampled. In addition, AVCOA had an additional \$5,309 in FY 2012-13 Agency-wide outstanding accounts payables as of November 19, 2013. According to CSS Directive CSS-OAA 1, a refund is due to CSS if the expended sum is less than the amount paid by CSS.

Recommendations

Refer to Recommendations 1, 2, 7, and 8.

- 10. Community and Senior Services management work with Agency management to determine the amount owed for the \$15,737 (\$10,428 + \$5,309) in unsupported disbursements related to the Area Agency on Aging Programs and require Antelope Valley Committee on Aging to repay Community and Senior Services.**



January 24, 2014

County of Los Angeles
Department of Auditor-Controller
Attention : Wendy L. Watanabe
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

Re: Contract #'s Elderly Nutrition Program: ENP-1216-02
Supportive Services Program: SSP-1014-04
Family Caregiver Support Program: FCSP-1317-02

Dear Ms. Watanabe,

Please find enclosed our response to the Contract Compliance Review Audit complete in December 2013 for Antelope Valley Committee on Aging.

We are very dedicated to the services that are supported by Los Angeles County Community and Senior Services and look forward to our continued partnership.

Please contact myself at 661-940-5624 or you may contact our fiscal oversight entity, Antelope Valley Partners for Health, Michelle Klefer at 661-645-8422 with any questions or needing additional information.

Thank you for your continued support to the Antelope Valley.

Sincerely,

A handwritten signature in black ink, appearing to read 'Steve Angebrandt', is written over a horizontal line.

Steve Angebrandt
Board President



**Audit Response for Antelope Valley Committee on Aging- Community and
Senior Services Area Agency on Aging Program Contract Service Provider-
Contract Compliance Review-Fiscal Year 2013-2014**

January 24, 2014

Re Contract #'s: Elderly Nutrition Program: ENP-1216-02

Supportive Services Program: SSP-1014-04

Family Caregiver Support Program: FCSP-1317-02

Financial Viability

Objective

Determine whether AVCOA maintained sufficient working capital to provide the services of the AAA Programs.

Verification

We interviewed Agency management, and reviewed the Agency's accounting records, Single Audit for the period ending June 30, 2012, and their audited financial statements, for the period ending June 30, 2011 and 2012.

Results

Based on our review, we determined that AVCOA is insolvent. Specifically, AVCOA had \$117,064 in unpaid Agency-wide accounts payables as of November 19, 2013, of which \$19,601 was not reported. In addition, of the \$117,064, \$37,227 in unpaid Agency-wide accounts payables were over 60 days past due. According to Section 8.45 of the County contract, "a contractor shall be deemed to be insolvent if it has ceased to pay its debts for at least 60 days in the ordinary course of business, or cannot pay its debts as they become due." According to Agency's Executive Director and President of the Board, having insufficient funds to pay their debts was due to mismanagement by the Agency's former executive director, Controller and Board members. However, the Agency's current Executive Director started with AVCOA in September 2011 and their new Operations Manager in charge of their fiscal operations started with AVCOA in October 2011. AVCOA

management indicated that they were unaware of the additional \$19,601 owed to one vendor since they did not receive the vendor's invoices. However, we obtained a copy of a correspondence, dated November 8, 2013, between Agency management and the vendor identifying the additional \$19,601 accounts payables outstanding.

According to the Agency's audited financial statements, for the periods ending June 30, 2011 and 2012, the Agency's cash flows from operating activities were negative for both fiscal years by \$17,740 and \$26,438, respectively, and their Statement of Revenues and Functional Expenses identified deficits in 2012 for two AAA Programs as follows:

County's AAA Programs Total Funding* Total Costs 2012

Elderly Nutrition Program: Total funding \$ 880,736—total costs \$ 968,378— 2012 deficit \$ (87,642)

Support Services Program: Total Funding \$58,551—Total Costs \$ 100,351—2012 deficit \$ (41,800)

*Includes County contracted amounts, matching contributions, Grant related income and Cash match.

Based on AVCOA's significant cash flow and other financial issues, CSS should place the Agency on the County's Contractor Alert Reporting Database (CARD) and require AVCOA management to submit a formal plan to improve their financial condition, or consider terminating their contracts with AVCOA.

Recommendation:

1. CSS management place the Agency on the County's Contractor Alert Reporting Database and require AVCOA management to submit a formal plan to improve their financial condition, including how the Agency will maintain sufficient working capital to pay its debts as they become due, or consider terminating the County contract with AVCOA.

2. AVCOA management maintain accurate financial records.

Response: AVCOA has obtained the services of a local non-profit, Antelope Valley Partners for Health (AVPH) to provide fiscal oversight. There has been a payment plan implemented for all accounts payable. AVCOA has been able to reduce expenditures due to the integration of fiscal management. AVCOA has adopted AVPH's fiscal policy and procedures to be implemented including segregation of duties.

Timeline: By December 30, 2013

****See attached Financial Improvement Plan**

BILLED SERVICES

Objective

Determine whether Antelope Valley Committee on Aging (AVCOA or Agency) provided the services billed in accordance with their Community and Senior Services' (CSS) Area Agency on Aging (AAA) contracts.

Verification

We reviewed the Agency's August 2013 billings for the Elderly Nutrition Program (ENP), Supportive Services Program (SSP) and Family Caregiver Support Program (FCSP) services and traced the total number of meals served and hours of services billed to supporting documentation. In addition, we interviewed 11 participants who received home-

delivered meals and reviewed the case files of ten participants who received case management services.

Results

The 11 participants interviewed indicated that they received their home delivered meals as expected and the ten case files supported the case management services billed. In addition, AVCOA maintained adequate documentation to support the number of meals served and hours of services billed to the AAA Programs.

Recommendation

None.

Response: There is no recommendation on billed services. AVCOA will continue to provide quality services to the community and bill timely, accurately and appropriately.

CASH/REVENUE

Objective

Determine whether the Agency deposited cash receipts timely, and recorded revenue in the Agency's records properly.

Verification

We interviewed Agency personnel and reviewed the Agency's financial records. We also reviewed the Agency's bank activities for July through September 2013.

Results

AVCOA deposited cash timely and recorded revenue properly. However, the Agency's September 2013 bank reconciliations for their two bank accounts did not include the required preparer and reviewer signatures and dates as required by Section B.1.4 of the Auditor-Controller Contract Accounting and Administration Handbook. According to Agency management, the bank reconciliation reviewer was on vacation and as such, their September 2013 bank reconciliations were not reviewed.

Recommendation

3. AVCOA management ensure bank reconciliations are signed and dated

Response: AVCOA will continue to make deposits timely and record revenue properly. Through the fiscal oversight entity there will be a month end procedure established which will include sign off and verification of income and expenses to proper programs, journal entry review, and bank reconciliations.

Timeline: By December 30, 2013 and continue ongoing

Administrative Controls/Contract Compliance

Objective

Determine whether the Agency had adequate internal controls over its business operations. In addition, determine whether the Agency was in compliance with AAA Programs and administrative County contract requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit, and reviewed the Agency's Single Audit, for the period ending June 30, 2012, and their audited financial statements for the period ending June 30, 2011 and 2012.

Results

AVCOA did not maintain Workers Compensation Insurance as required by Paragraph 8.25 of the ENP and FCSP County contracts, and Paragraph 4.0 of the SSP County contract. Specifically, AVCOA did not pay the total amount of insurance premiums due in September 2013. AVCOA's workers' compensation insurance company mailed the Agency a Notice of Cancellation on September 24, 2013. The Agency's insurance broker also notified AVCOA's Executive Director and Operations Manager on September 27, 2013, of the Notice of Cancellation they received due to non-payment. However, AVCOA did not pay all the overdue premium payments by October 10th as required. AVCOA did not have qualified fiscal employees on staff. Specifically, AVCOA's Operations Manager, in charge of maintaining their accounting records and their day-to-day fiscal operations, does not have an accounting and/or bachelor's degree. AVCOA also does not have a Controller or a Chief Financial Officer on staff, or fiscally knowledgeable Board member(s) regularly reviewing and approving the Agency's accounting and other financial and administrative transactions. In addition, AVCOA did not maintain adequate segregation of duties over their payroll and personnel processing. Generally, the organizational structure of an entity should separate responsibilities for authorization of transactions, recordkeeping for transactions, and custody of assets. In addition, execution of the transactions should be segregated from these other responsibilities. However, AVCOA's Operations Manager records all transactions and has unrestricted access to the Agency's accounting records, payroll systems, and personnel files.

Recommendations:

AVCOA management:

4. Ensure that all the required insurance coverage are maintained as required.

5. Staff the Program with qualified employees, or ensure that fiscally competent Board members are regularly reviewing and approving the Agency's accounting and other financial and administrative transactions.

6. Establish and maintain adequate internal controls over

Response: AVCOA will ensure that all required insurance coverage for employees, vehicles and organizational are maintained. This will be tracked through utilizing outlook calendars on expiration/renewals of insurances. Additionally AVCOA will utilize the oversight entities Human Resource services to maintain all employee records, payroll taxes and workmen's comp insurance.

AVCOA obtained services of an oversight entity that has staff with over 20 years of nonprofit and grant management accounting experience. Through their expertise they will establish and maintain adequate internal controls.

AVCOA will provide trainings to Board of Directors focusing on understanding and analyzing financial statements.

Timeline: By December 30, 2013 and continue ongoing

EXPENDITURES/COST ALLOCATION PLAN

Objective

Determine whether expenditures charged to the AAA Programs were allowable under the County contracts, properly documented, appropriately allocated, and accurately billed. In addition, determine whether AVCOA prepared its Cost Allocation Plan (Plan) in compliance with their County contracts, and used the Plan to allocate shared expenditures appropriately.

Verification

We reviewed the Agency's Plan, interviewed Agency personnel, and reviewed Agency's financial records and documentation for seven non-payroll expenditure transactions, charged to the AAA Programs in July 2013 and October 2013, totaling \$27,767.

Results

AVCOA prepared its Plan in compliance with their County contracts and appropriately allocated shared expenditures. However, AVCOA did not maintain adequate documentation, such as cancelled checks, for \$3,465 (12%) of the \$27,767 non-payroll expenditure transactions sampled. As previously reported, AVCOA had \$117,064 in unpaid Agency-wide accounts payables as of November 19, 2013, of which \$63,942 was charged to the AAA Programs in FY 2013-14. The \$3,465 in unsupported expenditures is part of the \$117,064 in unpaid Agency-wide accounts payables. According to Exhibit K of the County contract, unsupported disbursements will be disallowed on audit. As such, CSS management should work with Agency management to determine the amount owed for unsupported disbursements related to the AAA Programs and require AVCOA to repay CSS.

Recommendations

Refer to Recommendations 1 and 2.

7. CSS management work with Agency management to determine the amount owed for unsupported disbursements related to the AAA Programs and require AVCOA to repay CSS.

8. AVCOA management ensure that debts are paid when they become due.

9. AVCOA management maintain adequate documentation to support the expenditures

Response: AVCOA's oversight entity will work with CSS to research missing documentation and resolve the unsupported disbursements in dispute. Going forward all accounts payable will entered upon receipt with due dates and will maintain all supporting documentation including appropriate approvals. Accounts payable report will be reviewed weekly to ensure that payables a timely.

Timeline: By December 30, 2013 and continue ongoing

PAYROLL AND PERSONNEL

Objective

Determine whether payroll costs are appropriately charged to the AAA Programs and personnel files are maintained as required. In addition, determine whether the Agency obtained background clearances for all employees and volunteers who come in contact with clients of the AAA Programs.

Verification

We traced the payroll expenditures for 11, totaling \$10,909, for August 2013, to the Agency's payroll records and time reports. We also reviewed the 11 employees' personnel files.

Results

AVCOA appropriately charged payroll expenditures to the AAA Programs. However, AVCOA did not obtain background clearances for their employees or volunteers as required by Section 7.4 of the ENP and FCSP County contracts and Section 2.3 of the SSP County contract for all 11 employees sampled. In addition, according to Agency management, background clearances are not obtained for the volunteers serving in the AAA Programs.

Recommendation

10. AVCOA management obtain background clearances for all employees and volunteers who come in contact with the AAA Program clients as required.

Response: AVCOA will obtain background clearances and TB tests on all employees and volunteers of the organization.

Timeline: *By December 30, 2013 and continue ongoing*

CLOSE-OUT REPORTS

Objective

Determine whether the AVCOA's FY 2012-13 Close-out Reports for the ENP and SSP Programs reconciled to the Agency's accounting records. FCSP did not have a close-out report for FY 2012-13 because this Program did not start until July 2013.

Verification

We compared the Agency's Close-out Reports for FY 2012-13 to the Agency's accounting records. We also reviewed a sample of expenditures incurred in January through June 2013, totaling \$76,457.

Results

AVCOA did not maintain adequate documentation, such as cancelled checks, to support \$10,428 of the \$76,457 expenditure transactions sampled. In addition, \$15,737 of the unpaid accounts payable previously discussed was charged to the AAA Programs in FY 2012-13. As previously recommended, CSS management should work with Agency management to determine the amount owed for unsupported disbursements related to the AAA Programs and require AVCOA repay CSS.

Recommendations

Refer to Recommendations 1, 2, 7, 8 and 9.

Response: AVCOA will work with agency management to determine the amount owed for unsupported disbursements related to the AAA programs and repay CSS accordingly.

Timeline: *By December 30, 2013 and continue ongoing*



Financial Improvement Plan

1. Obtain Fiscal oversight from outside agency (December 30, 2013)
2. Layoff all employees (December 27, 2013)
3. Develop and implement accounts payable payment plan (January 17, 2014)
4. Evaluate and reduce any unnecessary expenses (February 7, 2014)
5. Research and compare rates for like services such as; auto insurance, work comp, Gen Liability, D&O, etc. (February 14, 2014)
6. Review contracts and renegotiate terms with vendors such as; contract services, food vendors, and space. (February 14, 2014)
7. Reduce overhead costs by utilizing oversight agency's operational force (December 30, 2014)
8. Institute approval of payables according to approved budget allocations (February 7, 2014)
9. Ensure that all program billing is done timely (February 7, 2014)
10. Prepare timely detailed financial reports to Board of Directors to include; Balance Sheet, Profit and Loss, Accounts Receivable Aging, and Accounts Payable Aging (January 30, 2014)